CFM HOLDINGS LIMITED
(Incorporated in Singapore under Registration No. 200003708R)

PROPOSED DISPOSAL OF INDIRECTLY-OWNED SUBSIDIARIES

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1. INTRODUCTION

The Board of Directors (the "**Board**") of CFM Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") wishes to announce that its wholly-owned subsidiary Cheong Fatt Holdings Pte Ltd ("**Cheong Fatt Holdings**") had on 5 June 2018 entered into a sale and purchase agreement ("**SPA**") with Ms Lim Fong Li Janet (the "**Purchaser**") for the sale of the 499,999 ordinary shares (the "**Sale Shares**") that Cheong Fatt Holdings holds, representing 99.99% of the ordinary issued and paid-up share capital in CFM Precision Tooling Sdn Bhd ("**CFM Precision**"), to the Purchaser for a consideration of S$1.00 (the "**Proposed Disposal**").

The Proposed Disposal will result in CFM Precision ceasing to be a subsidiary of the Company. Further, as CFM Precision holds approximately 84.67% of the entire shareholding interests in PT Hantong Precision Manufacturing Batam ("**PT Hantong**") as at the date of the Proposed Disposal, the Company will also cease to have any indirect interest in PT Hantong following completion of the Proposed Disposal. As for the Company's direct shareholding interest of 14.67% in PT Hantong as at the date of the Proposed Disposal, the Company has decided to write off this investment in its subsidiary which would not have any value since the current liabilities of PT Hantong exceed PT Hantong's assets. The balance 0.66% of the shareholding interests in PT Hantong is held by the Purchaser. As such following completion of the Proposed Disposal, the Purchaser will have both direct interest in the shares of PT Hantong and indirect interest in the shares of PT Hantong by virtue of her shareholding in CFM Precision.

2. RATIONALE OF THE DISPOSAL

It is the intention of the Company to liquidate and/or strike-off CFM Precision and PT Hantong ("**Liquidation**"). This is because CFM Precision has been a dormant company since March 2016 and the Company wishes to save the cost of maintaining a dormant company. PT Hantong has been at a loss-making position for 2 years and since 1 July 2015, the current liabilities of PT Hantong has exceeded its assets. As such, there are no prospects of recovery for PT Hantong.

In order to facilitate the liquidation of CFM Precision and PT Hantong (the "**Subsidiaries**") and for the Company to save on the cost of liquidation, the Executive Director and Chief Executive Officer of the Company, Ms Lim Fong Li Janet has offered to acquire the Sale Shares on, *inter alia*, the basis that she will commence liquidation of CFM Precision within 180 days of completion of sale and purchase of the Sale Shares, and shall commence liquidation of PT Hantong within 1 year of completion of sale and purchase of the Sale Shares.

The Company wishes to further disclose that based on the current financial position of PT Hantong, the realisable assets principally comprises of cash in hand and in banks of S$132,000, as compared to total liabilities of S$1,616,000.

In view of the above as well as expenses expected to be incurred prior to commencement of Liquidation, the Company has decided to impair a further loan amount of S$80,000 due from PT Hantong to the Company (Total impairment as at 30 June 2017 was S$728,000). Further, the Company notes that it is a term of the SPA that the Purchaser will bear the costs and expenses of Liquidation and has provided an undertaking in the SPA to pay to the Company any assets realised from the Liquidation attributable to shareholders after deducting the respective liabilities.

The Company also wishes to update that as part of rationalising the balance sheet of PT Hantong and to maintain relationships with the suppliers to PT Hantong, some of whom are suppliers to other companies in the Group, PT Hantong will be assigning the receivables (which currently have been impaired/written off) from its customers to its suppliers. This will reduce the effort on the part of PT Hantong to collect such receivables.

3. INFORMATION ON ASSETS TO BE DISPOSED OF

3.1 Particulars of the assets acquired or disposed of, including the name of any company or business where applicable

CFM Precision was incorporated in Malaysia on 12 January 2010. It is an indirectly-owned subsidiary of the Company through Cheong Fatt Holdings. It has an issued and paid-up share capital of Ringgit Malaysia 500,000 divided into 500,000 ordinary shares of RM1.00 each.

PT Hantong was incorporated in Batam, Indonesia on 15 June 2000. It is an indirectly owned subsidiary of the Company through Cheong Fatt Holdings Pte Ltd and CFM Precision. PT Hantong has an issued and paid-up share capital of USD 300,000 divided into 300 shares of USD 1,000 each.

3.2 A description of the trade carried on, if any

CFM Precision specialises in the manufacture and fabrication of all types of engineering tools and precision engineering.

PT Hantong is in the business of manufacturing of metal plates and metal stamping.

3.3 Particulars of the Purchaser of the assets

The Purchaser is the Executive Director, CEO and controlling shareholder of the Company.

4. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL UNDER THE SPA

4.1 The consideration for the Sale Shares shall be S$1.00 ("**Consideration**"), payable by the Purchaser upon Completion, in cash and in Singapore dollars.

As the Purchaser has offered to acquire the Sale Shares and to proceed with liquidation of the Subsidiaries, the Board has decided to sell the Sale Shares to the Purchaser at a nominal consideration S$1.00.

The nominal Consideration of S$1.00 was arrived at on a willing buyer willing seller basis after arm's length negotiations, and taking into account:

(a) the aggregate audited negative net tangible asset ("**NTA**") value of the Subsidiaries of S$714,000 as at 30 June 2017 and the aggregate amount of losses attributable to the Subsidiaries of S$290,000 for the financial year ended 30 June 2017.

(b) The rationale and benefits of the Proposed Disposal to the Company as set out in Section 2 above.

4.2 Whether there are any material conditions attaching to the transaction

The basis of the sale and purchase of the Sale Shares is that the Purchaser shall commence liquidation of the CFM Precision within 180 days of the completion of the Proposed Disposal and shall commence liquidation of PT Hantong, within 1 year of completion of the sale and purchase of the Sale Shares (the "**Liquidation**").

All costs of the Liquidation shall be borne by the Purchaser.

In addition, it is a term of the SPA that any assets realised from the Liquidation attributable to shareholders after deducting the respective liabilities, shall be paid by the Purchaser to the Company.

The Purchaser shall at any time, upon Cheong Fatt Holdings' request, provide updates to Cheong Fatt Holdings on the status of the Liquidation of the Subsidiaries.

It is also a term of the SPA that if the Company is required to convene an extraordinary general meeting to obtain shareholders' approval for the Proposed Disposal, Cheong Fatt Holdings shall be entitled not to proceed with the sale of the Sale Shares to the Purchaser. At such juncture, the Company will consider the cost of preparing and convening such meeting against the benefits of having the Purchaser bear the costs and effort of managing the liquidation.

Save as disclosed above, there are no material conditions to be fulfilled before completion of the Proposed Disposal.

5. INTERESTED PERSON TRANSACTION

As the Purchaser is a controlling shareholder, Chief Executive Officer and Executive Director of the Company, the Purchaser is regarded as an interested person for purposes of Chapter 9 of the Listing Manual Section B: Rules of Catalist of the SGX-ST ("**Catalist Rules**") and the Proposed Disposal. Therefore, the Proposed Disposal being between the Company and hence an "entity at risk", and the Purchaser, constitutes an "interested person transaction" as defined in Rule 904(5) of the Catalist Rules.

However, as the Consideration of S$1.00 represents less than 3.0% of the latest audited NTA of the Group of S$10,367,000 as at 30 June 2017, and is less than the threshold amount of S$100,000, approval of independent shareholders of the Company is not required for the Disposal.

The Board and Audit Committee are of the view that the SPA entered into by the Company's wholly-owned subsidiary, Cheong Fatt Holdings with the Purchaser is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders, for the following reasons. It is the intention of the Group to strike off or liquidate CFM Precision and PT Hantong. CFM Precision has been dormant while PT Hantong has been loss making. The Group undertakes that the process of liquidation of PT Hantong in Indonesia is likely to be a protracted process and will involve the Group incurring liquidation costs as well as having to deal with various government authorities and the employees of PT Hantong. For this reason, the sale has been undertaken so that the costs and expenses of liquidation and risks if any associated with the liquidation will be borne by the Purchaser. The Group has further protected its position by requiring the Purchasers to agree to pay over any recoverable proceeds from the liquidation. As at the date of this announcement, the Directors do not expect any proceeds to the Group as the subsidiaries disposed are in the net tangible liabilities position. In this way, the Group minimises its downside risk while retaining the right to any potential excess from the liquidation.

6. FINANCIAL INFORMATION

6.1 The value (book value, net tangible asset value and the latest available open market value) of the assets being acquired or disposed of, and in respect of the latest available valuation, the value placed on the assets, the party who commissioned the valuation and the basis and date of such valuation.

Based on the latest audited financial statements of the Group for the financial year ended 30 June 2017 ("**FY2017**"), the net asset value and net tangible asset of the Sale Shares was negative $714,000. No valuation was done in respect of the assets disposed under the SPA.

6.2 In case of a disposal, the excess or deficit of the proceeds over the book value, and the intended use of the sale proceeds.

The Consideration represents a surplus of $1.00 over the net book value of Sale Shares as at 30 June 2017, as the amount has been impaired at the Company level. The actual excess or deficit of the proceeds over the book value can only be finalised after completion of the Proposed Disposal.

6.3 The net profits attributable to the assets being acquired or disposed of. In the case of a disposal, the amount of any gain or loss on disposal.

Based on the latest audited financial statements of the Group for FY2017, the net gain attributable to the Sale Shares is S$1,265,000.

Assuming the Proposed Disposal had been completed on 30 June 2017, the Group would recognize a gain on the Proposed Disposal of approximately S$1,265,000 at the Group level based on the audited net book value represented by the Sale Shares as at 30 June 2017.

6.4 Financial Effects

The financial effects of the Proposed Disposal on the Group set out below are purely for illustrative purposes only and do not reflect the future financial position of the Group after completion of the Proposed Disposal.

The financial effects have been prepared on a pro forma basis using the latest audited consolidated financial statements of the Group for FY2017.

For illustration purposes only, the information below is calculated on the basis of an exchange rate of S$1.00 to RM 3.1194 and 3.0797 for closing rate and average rate as at 30 June 2017, respectively.

(a) Net Tangible Assets (NTA)

The effects of the Proposed Disposal on the NTA per share of the Group for FY2017, assuming that the Proposed Disposal had been effected at the end of FY2017, are as follows:

As at 30 June 2017	**Before the Proposed Disposal**	**After the Proposed Disposal**
NTA of the Group attributable to shareholders of the Company (S$)	10,367,000	10,979,000
Number of issued shares	108,518,995	108,518,995
NTA per share (Singapore cents)	9.55	10.12

(b) Earnings Per Share (EPS)

The effects of the Proposed Disposal on the EPS of the Group, assuming that the Proposed Disposal had been completed at the beginning of FY2017, the effect of the Proposed Disposal on the EPS for FY2017, will be as follows:

As at 30 June 2017	**Before the Proposed**	**After the Proposed**

	Disposal	Disposal
Loss attributable to shareholders (S$)	(2,098,000)	(1,851,000)
Number of issued shares	108,518,995	108,518,995
EPS (Singapore cents)	(1.93)	(1.71)

(c) Share capital

The Proposed Disposal would not impact the issued share capital and the number of shares of the Company.

7. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE CATALIST RULES

For the purposes of Chapter 10 of the Catalist Rules, the relative figures in respect of the Proposed Disposal using the applicable bases of comparison set out in Rule 1006 of the Catalist Rules based on the latest announced unaudited consolidated financial statements of the Group for the half year ended 31 December 2017 are set out as follows.

	Relative Figures (%)
Rule 1006 (a) The net asset value of the assets to be disposed of, compared with the group's net asset value as at 31 December 2017.	(5.56)
Rule 1006 (b) The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits as at 31 December 2017.	(81.82)
Rule 1006 (c) Aggregate value of consideration given or received, compared with the market capitalisation of the Company as at 1 June 2018 being the last full market day immediately preceding the execution of the SPA.	0.00
Rule 1006 (d) The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable

As disclosed above, based on the latest announced unaudited consolidated financial statements of the Group for the 6 months period ended 31 December 2017, the relative figures under Rule 1006(a) will be approximately negative 5.56%. This is determined using the negative net asset value of S$659,000 attributable to the Subsidiaries disposed of compared with the Group's net asset value of S$11,848,000 as at 31 December 2017.

As disclosed above, based on the latest announced unaudited consolidated financial statements of the Group for the 6 months period ended 31 December 2017, the relative figures under Rule 1006(b) will be approximately negative 81.82%. This is determined using the net loss after tax of S$45,000 attributable to the Subsidiaries disposed of compared with the Group's net profit of S$55,000 for the 6 months' period ended 31 December 2017.

Accordingly, the Company will, if required, make an application to the SGX-ST for a waiver from the need to convene an extraordinary general meeting to obtain shareholders' approval for the Proposed Disposal.

Further, given that the relative figures computed under Rule 1006(a) and 1006(b) are negative, pursuant to Catalist Rule 1007(1), the Company will, through the Sponsor, consult the SGX-ST on the application of Chapter 10 of the Catalist Rules for the Proposed Disposal and the requirements, where applicable, inter-alia the need for an extraordinary general meeting.

8. OTHER MATTERS

8.1 Interests of Directors and Substantial Shareholders

Other than through their respective shareholdings in the Company, none of the Directors and/or substantial shareholders of the Company, save for the Purchaser, has any interest (direct or indirect) in the Proposed Disposal.

8.2 Service contracts of the Directors

No person is proposed to be appointed as a Director of the Company or any of its subsidiaries in connection with the Proposed Disposal.

8.3 Documents available for inspection

A copy of the SPA is available for inspection during normal business hours at the Company's registered office at No. 4 Ang Mo Kio Avenue 12, #05-01 CFM Building, Singapore 569498 for a period of three (3) months from the date of this announcement.

8.4 Directors' responsibility statement

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Announcement constitutes full and true disclosure of all material facts about the Proposed Disposal, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Announcement misleading. Where information in the Announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in its proper form and context.

BY ORDER OF THE BOARD

Janet Lim Fong Li
Executive Director & Chief Executive Officer
5 June 2018

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Asian Corporate Advisors Pte. Ltd. (the "**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**Exchange**"). The Sponsor has not independently verified the contents of this announcement including the correctness of any of the figures used, statements or opinions made.*

This announcement has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement.

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